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FIRST ANNUAL FINANCIAL REPORT OF THE GOVERNMENT OF CANADA RELEASED -- 1993-94 DEFICIT IS \$42 BILLION

Finance Minister Paul Martin today released the first **Annual Financial Report of the Government of Canada**, which provides a review of federal finances for 1993-94.

The report today established that the federal deficit for 1993-94 was \$2 billion lower than forecast last fall.

"It is heartening to see that as a result of stronger economic growth and continued evidence of positive factors at play in the Canadian economy we are able to announce lower-than-expected deficit numbers," Mr. Martin said.

The new **Annual Financial Report of the Government of Canada** responds to recommendations by the Auditor General of Canada and the House of Commons Public Accounts Committee to present timely and understandable information about the government's financial situation.

The Minister noted that release of the Annual Financial Report is the earliest that audited overall financial information about the government has ever been published. The Auditor General has expressed an unqualified approval of the fiscal figures for 1993-94 and has also indicated that the report accurately summarizes the detailed Public Accounts of Canada, which will be tabled in Parliament later this year.

The report indicates that the deficit for 1993-94 was \$42 billion. This is:

- \$2 billion lower than the bottom of the \$44-\$46 billion range first set out in the November 1993 statement. (A reconciliation accounting for the changes is attached.);

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- \$9.4 billion higher than the April 1993 budget forecast of \$32.6 billion;
- \$1.0 billion higher than the revised 1992-93 deficit of \$41 billion.

With the \$42 billion deficit for 1993-94, Canada's net public debt reached \$508.2 billion, or \$17,484 for every Canadian. The net public debt was 71.4 per cent of gross domestic product.

Mr. Martin said that the lower-than-expected deficit for 1993-94 was encouraging news.

"It reflects some welcome improvement in the economy," the Minister said. "It means our debt burden is a little lower than we had expected, and it also illustrates why I have put so much emphasis on making forecasts that are based on cautious, prudent assumptions."

At the same time the Minister said it is important to be realistic about what last year's result means for the deficit this year and beyond.

"Last year's \$42 billion deficit has added \$3 billion to debt interest payments in 1994-95," Mr. Martin said. "Despite this compounding effect and interest rates currently higher than anyone forecast, I am reiterating the government's commitment to meet our 1994-95 deficit target of \$39.7 billion, based on continued strength in revenues, prudent planning for contingencies, and constraints on spending imposed in the February budget. The government is fully committed to achieving its annual deficit targets and reaching its interim deficit goal of 3 per cent of GDP by 1996-97."

The report shows that the 1993-94 deficit was lower than forecast in the February 1994 budget largely due to several factors:

- Better-than-expected economic growth in the first three months of this year resulted in higher-than-expected tax revenues;
- Employment increased, resulting in lower unemployment insurance benefit payments;
- Public debt charges were lower than forecast;

- Following discussion with the Auditor General, the government's liabilities with respect to the taxation of resource allowances were booked for 1992-93, the year of a court decision which led to the liabilities, rather than in 1993-94 as assumed in the budget. This had the effect of reducing the 1993-94 deficit by \$400 million.

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DEFICIT OUTCOME FOR 1993-94

Changes since April 1993 Budget

		(\$ billions)	
A.	April 1993 budget deficit forecast	32.6	
B.	Changes	November 1993 Statement*	Final Outcome
1.	Failure to pass legislation and to adequately provide for contingencies:		
-	Failure to implement previously announced legislation	0.6	0.6
-	Stabilization	1.2	1.4
-	Total	1.8	2.0
2.	1992 Income and Taxation Developments:		
-	Higher refunds paid/lower taxes received on filing	1.8	2.4
-	Instalment payments	0.9	0.9
-	Child Tax Benefit/ GST Low-income credit	0.6	0.6
-	Total	3.3	3.9
3.	Higher refunds		
-	Faster processing of PIT refunds	1.2	1.8
-	Resource allowance court settlement	0.5	0.1
-	Total	1.7	1.9
4.	1993-94 Economic Developments:		
-	Personal income tax	1.1 to 1.5	1.6
-	Corporate income tax	0.7 to 1.0	-0.2
-	GST	0.7 to 1.0	0.9
-	Other excise taxes/duties/tobacco smuggling	1.1 to 1.6	1.2
-	Unemployment insurance benefits		-1.7
-	Public debt charges		-1.5
-	Other	1.0 to 1.5	0.6
-	Total	4.6 to 6.6	0.9
5.	February 1994 budget measures		
-	Restructuring costs		0.7
6.	Total change	11.4 to 13.4	9.4
D.	Deficit	44 to 46	42.0

* In a speech at l'École des Hautes Études Commerciales in Montreal on November 29, 1993, the Minister of Finance indicated that the deficit for 1993-1994 would be between \$44 billion and \$46 billion.